

# **ANGELES ELECTRIC CORPORATION**

## **Internal Audit Charter**

### **POLICY**

It is the policy of Angeles Electric Corporation (AEC), as part of its commitment to sound Corporate Governance, to establish an Internal Audit office governed by its own Internal Audit Charter as approved by the Audit Committee of the Board of Directors. Changes or revisions to this charter after review shall be subject to the same approval process.

### **PURPOSE**

The purpose of Angeles Electric Corporation's Internal Audit is to provide independent, objective assurance and consulting services designed to enhance value to and improve the operations of AEC by bringing a systematic, objective, disciplined, and risk-based approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

### **AUTHORITY**

The Internal Audit Head reports functionally to the Audit Committee and, administratively, to the President and Chief Executive Officer.

The Internal Audit Head and Auditors are authorized to:

- Have full and unrestricted access to all functions, records, property and personnel pertinent to carry out any audit or consulting engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish engagement objectives and issue reports.
- Obtain the necessary assistance of personnel in units within AEC where they perform audits as well as other specialized services or expertise from within or outside AEC in order to complete engagements.
- Have full and free access to and communicate and interact directly with the Audit Committee.

### **INDEPENDENCE AND OBJECTIVITY**

The Internal Audit Head shall confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function.

The Internal Audit Head and Auditors shall:

- ensure freedom from interference that impedes the accomplishment of its function, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.
- exhibit the highest level of professionalism in gathering, evaluating, and communicating information about the activity or process being examined.

Auditors, including the Internal Audit Head, are not authorized to:

- Assess specific operations of a business unit or department for which they were previously part or responsible for in the last twelve months.
- Have any operational responsibility, duty or authority for AEC.
- Initiate or approve transactions except those pertaining to the operations of Internal Audit.
- Direct the activities of any AEC employee/s not employed by Internal Audit, except to the extent such employee/s have been appropriately assigned to auditing teams to assist the internal Auditors.

## SCOPE OF WORK AND RESPONSIBILITY

The role of Internal Audit is to validate that the structure of risk management, control and governance processes for AEC as designed and represented by Management are adequate and functioning in a manner that ensures:

- Risks are appropriately identified, managed and/or reported.
- Significant financial, managerial and operating information and operating information is accurate, reliable and timely.
- Employees' actions are in accordance with policies, standards, procedures and applicable laws and regulations.
- Resources are economically acquired, efficiently used, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the control processes.
- Significant legislative or regulatory issues are recognized and addressed appropriately.

**Assurance services** involve the objective assessment of evidence to provide independent opinions or conclusions regarding governance, risk management, and control processes, systems, operations or other subject matters.

**Consulting services** are advisory in nature and are generally performed at the specific request of an internal engagement client. These are intended to add value and improve the organization's risk management and control processes without the internal auditors assuming management responsibility.

Opportunities for improving management control, profitability and image of AEC may be identified during assurance or consulting engagements and such will be communicated to the appropriate level of Management.

The Internal Audit Head is responsible for:

- Managing effectively the internal audit activities of AEC.
- Developing a flexible annual internal audit plan utilizing appropriate risk-based methodology and including any risks or control concerns identified by Management or the Audit Committee for review and approval.
- Communicating to the Audit Committee the internal audit plan, including significant interim changes, resource requirements, and the impact of resource limitations thereon.
- Implementing the annual internal audit plan, as approved, including, as appropriate, any additional special tasks or projects requested by Management and the Audit Committee.
- Reporting periodically to the Audit Committee and Management summarized results of audit activities.
- Considering the scope of work of the internal and external assurance and consulting service providers, as appropriate, for the purpose of providing optimal audit coverage to AEC at a reasonable overall cost.
- Reviewing and assessing significant merging/consolidating functions and new or changing services, processes, operations and control processes coincident with their development, implementation, and/or expansion.
- Assembling and maintaining a professional audit staff with sufficient knowledge, skills, experience and professional certifications, and other competencies to meet the requirements of this Charter.
- Conducting appropriate follow-ups on pending Management commitments/responses meant to address engagement findings, recommendations and reporting periodic status updates thereto to the Audit Committee.



- Ensuring there is an appropriate and effective mechanism in place for the anonymous submission of employee concerns or complaints on questionable accounting or auditing matters and notify the Audit Committee of the status and disposition of reported complaints.
- Assisting in the investigation of significant suspected fraudulent activities in AEC and notify Management and the Audit Committee of the results.
- Establishing and sustaining a quality assurance and improvement program for Internal Audit by which the Internal Audit Head assures excellence in the operation of internal auditing activities, and communicating the results of ongoing internal assessments and external assessments conducted at least every five years.
- Reporting periodically on Internal Audit's purpose, authority, responsibility and performance relative to its plan and on its conformance with the Code of Ethics and the Standards, including fraud risks, governance issues and other matters that require the attention of Senior Management and/or the Board.

The Internal Audit Head shall be accountable to the Audit Committee and to the Management in the performance of his/her duties and shall:

- Provide annually an assessment on the adequacy and effectiveness of AEC processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of AEC, including potential improvements to those processes, and provide information concerning such issues and resolutions.
- Provide information periodically on the status and results of the annual internal audit plan and the sufficiency of Internal Audit's resources.
- Coordinate with and provide independent assurance on other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).


## **PROFESSIONALISM AND STANDARDS OF PRACTICE**

Internal Audit and its activities shall adhere to The Institute of Internal Auditors' mandatory guidance including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics for Internal Auditors, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing<sup>1</sup>.

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<sup>1</sup> Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

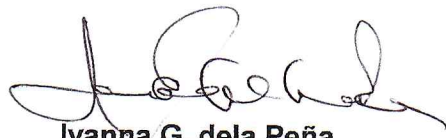
Approved this 18<sup>th</sup> day of March 2025.



**J. Emmanuel R. Gabriel**  
Internal Audit Head



**Ms. Maria Rita Josefina V. Chua**  
President & CEO



**Ivanna G. dela Peña**  
Independent Director



**Richard Hubert N. Wilkerson**  
Director



**Horacio E. Cebrero III**  
Independent Director  
Chairman, Audit Committee



**Geromin T. Nepomuceno, Jr.**  
Chairman of the Board